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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE: PROGRAMME AND BUDGETS, 1996-1997; FINANCIAL SITUATION OF UNIDO

Preliminary expenditure plans

Submitted by the Director-General

Summary

Presents preliminary expenditure plans for the biennium 1996-1997 as requested by the Industrial Development Board in its decision IDB.14/Dec.7 (a).

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 5	2
Chapter			
I.	FRAMEWORK FOR THE PROPOSED EXPENDITURE PLANS	6 - 9	2
II.	REGULAR BUDGET EXPENDITURE PLANS, 1996-1997	10 - 21	3
III.	CONCLUSION	22	7
IV.	ACTION REQUIRED OF THE BOARD	23	7
Annex	Financial and programmatic adjustments by major programme		8

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Introduction

1. The programme and budgets for 1996-1997 proposed by the Director-General (IDB.14/2 and Corr.1-PBC.11/2 and Corr.1) were considered by the Programme and Budget Committee at its eleventh session. In conclusion 95/8, the Programme and Budget Committee recommended to the Industrial Development Board that it adopt for submission to the General Conference for consideration and approval the programme and budgets for 1996-1997 as contained in that document. At the fourteenth session of the Industrial Development Board, the representative of the major contributor indicated a possible reduction in future of its payment of assessed contributions to the regular budget of UNIDO. The indication given of possible future levels of cash income from assessed contributions suggested that these would be substantially below the levels required to finance the regular budget for 1996-1997. Following its consideration of the programme and budgets for 1996-1997, the Board in its decision IDB.14/Dec.7 (a) requested the Director-General to prepare preliminary expenditure plans within the framework of document IDB.14/2 and Corr.1 as agreed by the Programme and Budget Committee in its conclusion 95/8 for recommendation to the Industrial Development Board. The present document was prepared in response to that decision and contains the preliminary expenditure plans requested.

2. In the expenditure plans, a reduction is foreseen of net regular budget expenditures of $28,840,000 to offset the anticipated shortfall in cash resources resulting from the downward revision of anticipated assessed contribution income for the 1996-1997 biennium. This amount represents a 13.8 per cent reduction compared to the estimate for the regular budget for the 1996-1997 biennium of $209,189,800 as presented in table 1(a) of the proposals of the Director-General for the programme and budgets for that biennium (IDB.14/2 and Corr.1).

3. At the time of finalizing the present document, uncertainties intensified as regards the payment of the assessed contribution by the major contributor in the 1996-1997 biennium. Therefore, it is possible that actual shortfalls of cash income from assessed contributions to the regular budget may eventually be greater than anticipated by the Secretariat when formulating the present preliminary expenditure plans. In the light of the extreme uncertainty in respect of future income, the Director-General has initiated the elaboration of a series of contingency plans that will enable him, on the basis of cautious financial management, to address possible further reductions in income during the 1996-1997 biennium. The plans will cover the various possibilities of shortfalls in regular budget income and cash flows for 1996-1997 from a total of $28.8 million[1]—which is the basis of the present document—to a maximum of $52 million.

4. These plans incorporate the results obtained so far through UNIDO's reform process, which was initiated in 1993 and further pursued in 1994-1995 after the fifth session of the General Conference at Yaoundé. The new vision for UNIDO has led to a redefinition of its role and an enhancement of its internal efficiency and quality of services. The expenditure plans are thus fully consistent with the ongoing reform process. Particularly, results emerging at this stage of the process in terms of rationalization of administrative and support activities are fully applied for the proposed reductions and suspensions. The contingency plans are equally consistent with this process.

5. The Director-General will keep Member States fully informed of any significant changes in the cash flow and of any application of contingency plans.

I. FRAMEWORK FOR THE PROPOSED EXPENDITURE PLANS

A. Financial considerations

6. In formulating the expenditure plans for 1996-1997, the Secretariat considered the relationship between the proposed programme and budgets, 1996-1997, and the estimated cash flow and cash resource availability for the biennium. In determining the estimated cash resources expected to be available during the biennium, certain assumptions have been made by the Secretariat in respect of the projected level of assessed contribution income in 1996 and 1997. The remarks made by the representative of the major contributor at the fourteenth session of the Board (cf. summary record IDB.14/SR.1, paras. 45-49) indicated that the payment for 1995 might amount to between $12 and $13 million and that the payment for the future year may follow a similar pattern. Therefore, in preparing the preliminary expenditure plans, the Secretariat has assumed that the major contributor will pay a minimum of $12 million per annum for the period 1995 to 1997. This is considered a reasonable basis of income estimation, given the substantially higher level of outstanding contributions that will be due from this Member State during that period. The projected cash flow also takes account of the projected assessed contribution income from all other Member States, based on recent payment patterns.

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[1] In the present document, US dollar amounts that refer to figures in the proposed programme and budgets, 1996-1997, are expressed at a budgetary exchange rate of US$1 = AS 12.90.

7. On the basis of the anticipated cash resources available in 1996 and 1997, the level of reductions required in the expenditure plans was estimated at $28.8 million. The financial impact of the expenditure plan reductions on the proposed regular budget allocations by major programme and major object of expenditure is presented in chapter II below, with a more detailed description of the expenditure plan reductions and programme implications by major programme in the annex to the present document.

8. The expenditure plans for 1996-1997 are summarized as follows:

Expenditure plan summary
(In US dollars)

Regular budget net requirements, 1996-1997 a/	209,189,800
Expenditure plan reductions	(28,840,000)
Total expenditure plans, 1996-1997	180,349,800

a/ As contained in the proposals by the Director-General in document IDB.14/2 and Corr.1 and recommended by the Programme and Budget Committee to the Industrial Development Board in its conclusion 95/8.

B. Guiding principles for the proposed expenditure plan

9. The Director-General has reviewed the programme and budget proposals, 1996-1997, submitted to the Industrial Development Board in June 1995 (IDB.14/2 and Corr.1) with the aim of identifying those programme activities and expenditures that could be suspended or scaled down while safeguarding the capacity of the Organization to deliver its technical cooperation programmes according to the priorities set for 1996-1997. Furthermore, the Director-General has fully considered the findings and measures emerging from the ongoing reform process and incorporated them in the proposed expenditure plans. These entail a further focusing of UNIDO programmes according to the seven priority themes and the rationalization of internal processes and procedures. The following criteria were considered:

(a) Prime attention has been given to the reduction of costs in administrative and other non-substantive programmes with a view to maintaining to the extent possible the strength of the substantive programmes. Administrative and support functions will be scaled down, with certain functions and responsibilities decentralized to the substantive programmes;

(b) In identifying expenditure reductions, the Secretariat has made every effort to reduce non-staff costs and, in particular, general operating costs. However, in view of the high share of staff costs in the regular budget, it is inevitable that reductions must be made in the number of staff employed by the Organization;

(c) Some of the economy measures introduced during the second half of 1995 (Director-General's Bulletin UNIDO/DG/B.195) owing to uncertainties in respect of the payment by the major contributor of assessed contributions in that year will be further enhanced as new procedures and changes in some activities are implemented;

(d) In general, Organizational reforms will be fully implemented and the resulting cost reduction effects will be realized. However, as the full consequences of reform measures that will be introduced in the remainder of 1995, and of other measures to be applied in early 1996 cannot be entirely discerned at this time, the expenditure plan needs to have built-in flexibility;

(e) The operational budget estimates for 1996-1997 have been maintained at the level proposed in the 1996-1997 programme and budgets. The Organization will do its utmost to ensure that the volume of technical cooperation project delivery, and thus the operational budget income levels, will be achieved as anticipated. Efforts will, in any event, be enhanced to mobilize extrabudgetary resources for technical cooperation activities in the priority areas. Nevertheless, any further weakening of present staffing levels in substantive divisions will hamper the capacity to deliver services at a time of increased demand from developing countries and countries in transition.

II. REGULAR BUDGET EXPENDITURE PLANS, 1996-1997

10. The preliminary expenditure plans for 1996-1997 comprise reductions in the estimates of all major objects of expenditure and of all major programmes presented in the programme and budgets originally proposed by the Director-General (IDB.14/2 and Corr.1 - PBC.11/2 and Corr.1).

A. Preliminary expenditure plans: overall reductions

11. The overall expenditure plan reduction of $28.8 million as compared with the regular budget estimates for 1996-1997 of $209.2 million represents a 13.8 per cent reduction. To minimize the impact of expenditure reductions on the substantive programmes, proportion-

ately higher reductions have been made to the administrative and support programmes. In this respect, proposed reductions are: $2.9 million (33.3 per cent) in Major Programme 1000 (Operational Support Services); $5.9 million (20.5 per cent) in Major Programme 1100 (Joint and Common Services); and $6.0 million (16.6 per cent) in Major Programme 1200 (Administration).

12. The reductions in most of the substantive programmes were lower than the overall average of 13.8 per cent, i.e.: $0.6 million (3.9 per cent) in Major Programme 500 (Information and Research), $0.4 million (3.5 per cent) in Major Programme 600 (Human Resource, Enterprise and Private Sector Development) and $0.6 million (2.8 per cent) in Major Programme 700 (Industrial Sectors and Environment).

13. The combined reduction of $5.7 million (18.4 per cent) in Major Programmes 300 (Country Strategy and Programme Development) and 400 (Mobilization and Management of Financial Resources) will be achieved through a merger of responsibilities. The reduction of $2.8 million (17.3 per cent) in Major Programme 800 (Investment and Technology Promotion) will be achieved through the suspension of some activities, including Industrial Cooperation and Consultations.

14. The budgetary provision for IDDA supplementary activities in Major Programme 900 (Common Programmes) was not subjected to any reduction.

B. Staff expenditure reductions

15. Staff cost reductions of $18.6 million represent a 13 per cent reduction as compared with the regular budget estimates for 1996-1997. This will have a direct impact on staffing levels. Approximately 39 Professional and higher level-posts and 75 General Service-level posts will be suspended as of 1 January 1996. Cost reduction measures implemented in 1995 to deal with the cash crisis, including restrictions on recruitment and the maintenance of higher-than-budgeted vacancy factors will limit, to some extent, the actual number of staff who will have to leave the Organization as a result of the implementation of the expenditure plans. The Director-General will ensure that an optimal staffing of UNIDO programmes is secured through both staff redeployments and reductions of staff, as appropriate, within the framework of expenditure plans. The 7 per cent vacancy factor for Professional posts included in the proposed programme and budgets, 1996-1997 will be maintained. Proposals on the modalities and financing of staff separations are discussed in the document containing information on the financial situation of UNIDO, submitted to the resumed fourteenth session of the Board (IDB.14/30).

16. Of the budgeted eight Managing Director posts, only six are proposed to be filled during the biennium. Similarly, other established posts in two of these offices will be suspended. As a consequence, the two affected divisions will be merged provisionally with two other divisions. Details of these reductions and organizational implications are shown in annex I of this document.

C. Non-staff expenditure reductions

17. In the preliminary expenditure plans, the non-staff cost reductions for travel, general operating costs, electronic data-processing, joint services and other miscellaneous costs total $10.3 million and represent a 15.5 per cent reduction over the regular budget estimates. In view of the expected downsizing of the staff of the Organization, the share in the joint VIC operating costs, which are borne by the Vienna-based organizations, is envisaged to be reduced from 31.6 to 26.6 per cent of total costs. Appropriate negotiations will be pursued as a matter of priority.

D. Financial and programmatic information by major programme

18. Tables 1 and 2 below present the preliminary expenditure plan reductions by Major Programme and major object of expenditure. The tables show a comparison with the programme and budget estimates as submitted to the fourteenth session of the Board (IDB.14/2 and Corr.1). Financial and programmatic adjustments are described under a separate heading for each Major Programme in the annex to the present document.

E. Further contingency plans

19. Contingency plans will be consistent with and will constitute a further accentuation of the reductions presented in the preliminary expenditure plans contained in the present document, and will, to the extent possible, include further reductions in administrative, operational and support costs. They will also address changes to substantive programmes, including rationalization and suspension of some activities while sharpening the focus on priority programmes. Further issues arising from the ongoing reform process of UNIDO and of the current work of the external consulting company in terms, *inter alia*, of workload analyses, streamlining and rationalization of procedures and the application of various other cost-cutting measures will be incorporated as they become available.

20. In elaborating contingency plans, the suspension of significant numbers of Professional and General Service posts in all programmes, including substantive programmes and General Management, will be unavoid-

Table 1. Proposed regular budget expenditure plan and income for 1996-1997, by Major Programme

(In thousands of dollars at US$1 = AS 12.90)

	Major Programme	Programme and budgets a_/ (1996-1997 rates) Expenditure 1	Income 2	Net resource requirements 3 (=1-2)	Reduction/adjustment Expenditure 4	Income 5	Net resource requirements 6 (=4-5)	Expenditure plan (1996-1997 rates) Expenditure 7	Income 8	Net resource requirements 9 (=7-8)
100	Policy-making Organs	7,975.4		7,975.4	(627.6)		(627.6)	7,347.8		7,347.8
200	General Management	13,367.0		13,367.0	(1,493.1)		(1,493.1)	11,873.9		11,873.9
300	Country Strategy and Programme Development	22,681.7		22,681.7	(3,261.4)		(3,261.4)	19,420.3		19,420.3
400	Mobilization and Management of Financial Resources	8,138.2		8,138.2	(2,399.4)		(2,399.4)	5,738.8		5,738.8
500	Information and Research	16,442.9		16,442.9	(646.5)		(646.5)	15,796.4		15,796.4
600	Human Resource, Enterprise and Private Sector Development	12,495.4		12,495.4	(442.8)		(442.8)	12,052.6		12,052.6
700	Industrial Sectors and Environment	19,936.4		19,936.4	(567.7)		(567.7)	19,368.7		19,368.7
800	Investment and Technology Promotion	16,032.5		16,032.5	(2,766.7)		(2,766.7)	13,265.8		13,265.8
900	Common Programmes	19,783.3		19,783.3	(1,746.5)		(1,746.5)	18,036.8		18,036.8
1000	Operational Support Services	8,940.8		8,940.8	(2,978.2)		(2,978.2)	5,962.6		5,962.6
1100	Joint and Common Services	56,194.3	27,268.6	28,925.7	(6,203.8)	(277.2)	(5,926.6)	49,990.5	26,991.4	22,999.1
1200	Administration	36,831.4	755.5	36,075.9	(5,983.8)	(0.3)	(5,983.5)	30,847.6	755.2	30,092.4
	Miscellaneous income		1,605.4	(1,605.4)					1,605.4	(1,605.4)
	TOTAL	238,819.3	29,629.5	209,189.8	(29,117.5)	(277.5)	(28,840.0)	209,701.8	29,352.0	180,349.8

a_/ Table 3 (b), IDB.14/2 and Corr.1-PBC.11/2 and Corr.1.

Table 2. Proposed regular budget expenditure plan and income for 1996-1997, by major object of expenditure

(In thousands of dollars at US$1 = AS 12.90)

Major object of expenditure	Programme and budgets a_/ (1996-1997 rates)			Reduction/adjustment			Expenditure plan (1996-1997 rates)		
	Expenditure	Income	Net resource requirements	Expenditure	Income	Net resource requirements	Expenditure	Income	Net resource requirements
	1	2	3 (=1-2)	4	5	6 (=4-5)	7	8	9 (=7-8)
100 Staff costs	154,230.4	11,417.7	142,812.7	(18,938.8)	(372.7)	(18,566.1)	135,291.6	11,045.0	124,246.6
200 Official travel	4,422.5	5.9	4,416.6	(661.7)	0.4	(662.1)	3,760.8	6.3	3,754.5
300 Contractual services	774.5		774.5	(41.5)		(41.5)	733.0		733.0
400 General operating expense	29,116.3	15,625.9	13,490.4	(2,423.8)	281.1	(2,704.9)	26,692.5	15,907.0	10,785.5
500 Supplies and materials	1,223.6	288.7	934.9	(363.6)	(55.5)	(308.1)	860.0	233.2	626.8
600 Acquisition of furniture and equipment	1,772.5	669.4	1,103.1	(458.3)	(130.3)	(328.0)	1,314.2	539.1	775.1
700 EDP non-staff costs	6,495.6	0.7	6,494.9	(928.0)		(928.0)	5,567.6	0.7	5,566.9
800 Technical cooperation	12,551.4		12,551.4	(1,730.4)		(1,730.4)	10,821.0		10,821.0
900 Other expenditures	28,232.5	15.8	28,216.7	(3,571.4)	(0.5)	(3,570.9)	24,661.1	15.3	24,645.8
Miscellaneous income		1,605.4	(1,605.4)					1,605.4	(1,605.4)
TOTAL	238,819.3	29,629.5	209,189.8	(29,117.5)	(277.5)	(28,840.0)	209,701.8	29,352.0	180,349.8

a_/ Table 4 (b), IDB.14/2 and Corr.1-PBC.11/2 and Corr.1.

able. The suspension of posts would require such posts to be vacant during the budgetary period. While an increase in field representation would be of particular importance for UNIDO, it might be necessary to freeze the posts in this programme at the level of the 1994-1995 regular budget. Any increase in field representation would only be possible should voluntary contributions be made available for that purpose.

21. The worst case scenario—a total reduction of $52.0 million (equivalent to the assessed contribution of the major contributor)—would lead to the suspension of more than 70 Professional and higher-level posts and 160 General Service-level posts, representing a significant addition to the number of posts proposed for suspension in the expenditure plans presented in the present document (para. 14). It must be noted however that such a degree of suspension would affect a considerable number of staff under contract and thus significantly increase the financing requirements for termination indemnities.

III. CONCLUSION

22. The expenditure plans as described in the present document represent a reasonable response to the anticipated shortfalls in cash income in 1996-1997. However, the Organization remains vulnerable to further shortfalls in the payment of assessed contributions. While the Director-General will continue to apply prudent financial management in implementing UNIDO programmes, the full financial support of all Member States will be crucial if additional expenditure reductions and a consequent negative impact on programmes are to be avoided.

IV. ACTION REQUIRED OF THE BOARD

23. In the light of the recommendations contained in conclusion 95/8 of the Programme and Budget Committee concerning the programme and budgets, 1996-1997, and the preliminary expenditure plans for 1996-1997 contained in the present document, the Board may wish to consider the adoption of the draft decision contained in conclusion 95/8 and further recommend to the General Conference to request the Director-General:

(a) To implement the programme and budgets, 1996-1997 within the cash resource availability and in accordance with the expenditure plans contained in the present document;

(b) In the event that the projected cash resource availability falls significantly below the assumptions contained in chapter I.A of document IDB.14/29, to further accentuate the expenditure reductions in line with the preliminary expenditure and the contingency plans described in the present document;

(c) To report on the above on a regular basis to the policy-making organs.

Annex

FINANCIAL AND PROGRAMMATIC ADJUSTMENTS BY MAJOR PROGRAMME

MAJOR PROGRAMME 100: POLICY-MAKING ORGANS

1. Expenditure reductions for sessions of the policy-making organs will be achieved through a rationalization of documentation and a review of the timing and duration of meetings, for which the cooperation and understanding of Member States will be essential.

Expenditure plans, 1996-1997
(In thousands of dollars)

Proposed programme and budgets*		7,692.9
Less: Expenditure plan reductions		
Joint translation, interpretation and meetings planning	(605.0)	
		(605.0)
Expenditure plan at 1995 rates		7,087.9
Adjusted inflation		259.9
Expenditure plan at 1996-1997 rates		7,347.8

* Refers to document IDB.14/2 and Corr.1-PBC.11/2 and Corr.1.

MAJOR PROGRAMME 200: GENERAL MANAGEMENT

2. Through the merging of functions and a clearer delineation of responsibilities, it will be possible to suspend one D-1, four Professional- and two General Service-level posts. The staffing of the Management Coordination and Monitoring Unit and the Strategic Planning Office will be reduced. The Legal Service will maintain its current strength, but the additional Professional post proposed in the programme and budgets will be cancelled. Adjustments in External Relations, which will be achieved through a merger of functions, will comprise a change in the configuration of posts in the UNIDO Office at Geneva and in the offices in Vienna, resulting in the suspension of one Professional and one General Service post. Non-staff expenditure reductions will be made in expert group meetings (reduced participation in the meetings of the Special Advisory Group to the Director-General), staff travel, temporary assistance and overtime, printing and others.

Expenditure plans, 1996-1997
(In thousands of dollars)

		W/Y		
Proposed programme and budgets*				12,778.1
Less:	Expenditure plan reductions			
	Professional staff costs	(10.0)	(1,103.2)	
	General Service staff costs	(4.0)	(213.6)	
	Meetings		(40.1)	
	Travel		(33.2)	
	EDP non-staff costs		13.2	
	Other		(58.1)	
				(1,435.0)
Expenditure plan at 1995 rates				11,343.1
	Adjusted inflation			530.8
Expenditure plan at 1996-1997 rates				11,873.9

MAJOR PROGRAMME 300: COUNTRY STRATEGY AND PROGRAMME DEVELOPMENT
and
MAJOR PROGRAMME 400: MOBILIZATION AND MANAGEMENT OF FINANCIAL RESOURCES

3. Major reductions in expenditure are proposed in both Major Programmes in terms of staff and non-staff measures. In particular, in the Office of the Managing Director of Major Programme 400, the Managing Director post, the Professional and General Service posts and non-staff expenditure will be suspended. The remaining staff of Major Programme 400 will report to the Managing Director of Major Programme 300. Moreover, in order to further enhance cost efficiency and to benefit from synergy effects, some programmes will be integrated in combined organizational units.

4. Each regional programme, i.e. Programmes 330 through 370, will thus be composed of (reduced) posts of the current Programmes and (reduced) posts of Programme 420 (Programme and Project Funding), thereby permitting the maintenance of current staffing levels in each regional programme.

5. The combined programmes will thus remain structured in regional bureaux, each of which will be responsible for all relevant aspects of programming and mobilization and management of financial resources in and for the countries in the respective region. It should be noted in this context that new project cycle management procedures currently under elaboration will, upon their introduction, facilitate the integrated programming and resource mobilization tasks.

6. The UNIDO Country Directors (UCDs) are to continue to report to the Directors of the respective regional bureaux and are also to cover more systematically the additional function of funds mobilization at the field level. In order to ensure central coordination of funds mobilization activities, it is proposed to establish a small focal point in Programme 320, staffed with two Professional and one General Service posts.

7. The following adjustments are proposed: Programme 310 (Office of the Managing Director) will retain its present staff strength. Programme 320 (Programme Support and Monitoring) will be scaled down and merged with 440 (Programme and Project Review Committee Secretariat), with the global and interregional programming function being assumed by the substantively concerned Programmes during the planning and implementation of such activities. Programme 430 (Quality Assurance and Evaluation) will remain at its 1995 resource level, but will assume increased responsibilities, including project control and auditing. The resources of Programme 410 (Office of the Managing Director), will be suspended. Programme 380 (Field Representation) will remain at the budgeted level contained in the proposed programme and budgets.

8. In total, the measures proposed will result in the suspension of one D-2, 13 Professional- and 17 General Service-level posts in total for both Major Programmes. Reductions in non-staff resources for consultants, staff travel, temporary assistance and overtime, printing, EDP non-staff costs and other costs will be implemented.

Expenditure plans, 1996-1997
(In thousands of dollars)

Major Programme 300

		W/Y		
Proposed programme and budgets*				21,678.1
Less:	Expenditure plan reductions			
	Professional staff costs	(18.0)	(1,939.8)	
	General Service staff costs	(20.0)	(1,127.8)	
	Travel		(171.8)	
	Furniture and equipment		(52.0)	
	EDP non-staff costs		173.5	
	Other		(3.3)	
				(3,121.2)
Expenditure plan at 1995 rates				18,556.9
Adjusted inflation				863.4
Expenditure plan at 1996-1997 rates				19,420.3

Major Programme 400

		W/Y		
Proposed programme and budgets*				7,785.6
Less:	Expenditure plan reductions			
	Professional staff costs	(10.0)	(1,172.8)	
	General Service staff costs	(14.0)	(747.6)	
	Consultants		(25.0)	
	Travel		(102.1)	
	EDP non-staff costs		(169.4)	
	Other		(72.7)	
				(2,289.6)
Expenditure plan at 1995 rates				5,496.0
Adjusted inflation				242.8
Expenditure plan at 1996-1997 rates				5,738.8

MAJOR PROGRAMME 500: INFORMATION AND RESEARCH

9. The adjustments to this Major Programme foresee the suspension of established posts (one Professional and one General Service) in Programme 550 (Public Information and Information Products). The other substantive programmes remain at their established staffing strength. However, non-staff resources are reduced for general temporary assistance and overtime, staff travel, printing, EDP non-staff costs and other costs.

Expenditure plans, 1996-1997
(In thousands of dollars)

		W/Y		
Proposed programme and budgets*				15,661.9
Less:	Expenditure plan reductions			
	Professional staff costs	(2.0)	(254.6)	
	General Service staff costs	(2.0)	(106.8)	
	Travel		(21.6)	
	EDP non-staff costs		(102.3)	
	Other		(130.5)	
				(615.8)
Expenditure plan at 1995 rates				15,046.1
	Adjusted inflation			750.3
Expenditure plan at 1996-1997 rates				15,796.4

MAJOR PROGRAMME 600: HUMAN RESOURCE, ENTERPRISE AND PRIVATE SECTOR DEVELOPMENT

10. In view of the substantive importance of this Major Programme, only one Professional and one General Service post will be suspended in Programme 630 (Enterprise Development and Restructuring). The other Programmes will remain at the level proposed in the programme and budgets. Non-staff resources will be reduced in the areas of general temporary assistance and overtime, staff travel, printing and other costs.

Expenditure plans, 1996-1997
(In thousands of dollars)

	W/Y		
Proposed programme and budgets*			11,977.0
Less: Expenditure plan reductions			
Professional staff costs	(2.0)	(254.6)	
General Service staff costs	(2.0)	(106.8)	
Travel		(14.0)	
EDP non-staff costs		14.9	
Other		(64.6)	
			(425.1)
Expenditure plan at 1995 rates			11,551.9
Adjusted inflation			500.7
Expenditure plan at 1996-1997 rates			12,052.6

MAJOR PROGRAMME 700: INDUSTRIAL SECTORS AND ENVIRONMENT

11. Given the large volume of important services demanded from this Major Programme, suspension of established posts (one Professional and two General Service posts) will be limited to Programmes 710 (Office of the Managing Director) and 740 (Engineering and Metallurgical Industries), while all other Programmes will maintain the staff capacities foreseen in the proposed programme and budgets. Non-staff resources will be reduced in the areas of temporary assistance and overtime, expert group meetings, staff travel, printing and others.

Expenditure plans, 1996-1997
(In thousands of dollars)

Proposed programme and budgets*				19,100.1
		W/Y		
Less:	Expenditure plan reductions			
	Professional staff costs	(2.0)	(173.4)	
	General Service staff costs	(4.0)	(213.6)	
	Meetings		(68.0)	
	Travel		(70.2)	
	EDP non-staff costs		8.6	
	Other		(23.5)	
				(540.1)
Expenditure plan at 1995 rates				18,560.0
Adjusted inflation				808.7
Expenditure plan at 1996-1997 rates				19,368.7

MAJOR PROGRAMME 800: INVESTMENT AND TECHNOLOGY PROMOTION

12. Investment and Technology Services will remain as contained in the proposed programme and budgets. In order to attain the overall required reduction in expenditure, however, Programme 840 (Industrial Cooperation and Consultations) will be temporarily discontinued in its present form and the budgetary resources suspended. Some of the activities initiated and developed in this Programme during the 1994-1995 biennium will be transferred to other programmes and merged with their activities. In particular, Programme 820 (Investment Service) is to pursue some of the activities jointly with substantive programmes in Major Programmes 600 and 700. Thus, environmental protection issues, which constitute one element of a new cooperation approach developed with entities of various municipalities in developed and developing countries, would be covered by Programme 750 (Environment and Energy). Similarly, other initiated or ongoing partnership projects falling within the priority areas for 1996-1997 will be pursued jointly by Programme 820 (Investment Service) and Programme 830 (Technology Service) with inputs as required from other programmes, including those in Major Programme 300.

13. The important function of ECDC/TCDC coordination contained at present in Programme 840 will be retained. Of the staff resources foreseen for the proposed 1996-1997 programme and budgets, one Professional and one General Service post will be allocated to the Office of the Managing Director in Programme 810 providing an overall coordinating function for the Organization. In recognition of the ECDC/TCDC potential in investment services, the second Professional post will be attached to Programme 820 to ensure ECDC/TCDC investment promotion service coordination. The planned closer linkage between investment services and technical cooperation programmes will imply direct cooperative activities between Programme 820 and other Programmes, in particular, in Major Programmes 300, 600 and 700. The ECDC/TCDC investment promotion service coordinator will need to play a significant role in this context. Whereas the expenditure plan foresees the suspension of resources previously budgeted for consultation meetings, it is anticipated that extrabudgetary resources that generally cover the expenditures of the consultation meetings will continue to be forthcoming and extend also to the financing of preparatory activities. In such cases, the responsibility for carrying out the specific consultations will rest with the respective substantive Programmes in Major Programmes 500, 600, 700 and 800.

14. All in all, the resources suspended in this Major Programme cover one D-1, five Professional- and six General Service-level posts. Extensive reduction in non-staff resources, primarily through the suspension of Programme 840 activities, will concern general temporary assistance and overtime, consultants, expert group meetings, staff travel, printing and other costs.

Expenditure plans, 1996-1997
(In thousands of dollars)

	W/Y		
Proposed programme and budgets*			15,331.7
Less: Expenditure plan reductions			
Professional staff costs	(12.0)	(1,439.0)	
General Service staff costs	(12.0)	(640.8)	
Consultants		(148.5)	
Meetings		(245.0)	
Travel		(89.1)	
EDP non-staff costs		18.0	
Other		(89.0)	
			(2,633.4)
Expenditure plan at 1995 rates			12,698.3
Adjusted inflation			567.5
Expenditure plan at 1996-1997 rates			13,265.8

MAJOR PROGRAMME 900: COMMON PROGRAMMES

15. The Regular Programme of Technical Cooperation will maintain its 6 per cent share of total regular budget resources available to the Organization. This means that, due to the overall reduction of expenditures, a *de facto* decrease will occur. In view of their primary importance, the supplementary activities for the Industrial Development Decade for Africa will remain at the same level as foreseen in the proposed programme and budgets. Travel funds for Interregional Advisers will be reduced.

Expenditure plans, 1996-1997
(In thousands of dollars)

Proposed programme and budgets*		18,712.8
Less: Expenditure plan reductions		
Travel	(15.0)	
Regular Programme of Technical Cooperation (6%)		(1,650.7)
		(1,665.7)
Expenditure plan at 1995 rates		17,047.1
Adjusted inflation		989.7
Expenditure plan at 1996-1997 rates		18,036.8

MAJOR PROGRAMME 1000: OPERATIONAL SUPPORT SERVICES

16. Programme 1010 (Office of the Managing Director) will be suspended in its entirety. Programmes 1020 (Project Personnel and Fellowships) and 1030 (Purchase and Contracts) will be merged with Major Programme 1200 (Administration). Considerable reductions in Programme 1020 will be made in line with the ongoing reform process which will facilitate the absorption of these reductions without hampering the vital functions inherent to this programme. As the new project cycle management procedures will be implemented, further rationalization of the Programme's activities and expenditures are envisaged. The totality of these measures will result in the suspension of the Managing Director post, three Professional- and 11 General Service-level posts, as well as non-staff resources in the areas of temporary assistance and overtime, staff travel, printing, EDP non-staff costs and other resources.

Expenditure plans, 1996-1997
(In thousands of dollars)

		W/Y		
Proposed programme and budgets*				8,495.4
Less:	Expenditure plan reductions			
	Professional staff costs	(8.0)	(873.0)	
	General Service staff costs	(22.0)	(1,174.8)	
	Travel		(59.9)	
	EDP non-staff costs		(602.2)	
	Other		(119.1)	
				(2,829.0)
Expenditure plan at 1995 rates				5,666.4
	Adjusted inflation			296.2
Expenditure plan at 1996-1997 rates				5,962.6

MAJOR PROGRAMME 1100: JOINT AND COMMON SERVICES

17. The activities under this Major Programme are financed jointly by the organizations located in the Vienna International Centre. The expected reduction in staff would correspond to a reduction in the UNIDO share of total costs, which are based largely on space occupancy. Thus, a reduction from 31.6 to 26.6 per cent is assumed.

18. Programme 1110 (Buildings Management) will be reduced by one Professional-level and 10 General Service-level posts. Extensive cost reductions are envisaged in the following non-staff areas: rental and maintenance of premises, utilities, furniture and equipment, supplies and materials.

19. Contributions to joint and common services comprising medical, library and security are to be reduced in accordance with reduction of staff and the concomitant reduced requirements. Joint language and documentation services will be reduced in accordance with the reductions recently commenced in documentation and other conference services.

Expenditure plans, 1996-1997
(In thousands of dollars)

Proposed programme and budgets*				53,520.6
		W/Y		
Less:	Expenditure plan reductions			
	Professional staff costs	(2.0)	(218.6)	
	General Service staff costs	(20.0)	(1,068.0)	
	General operating costs		(1,220.0)	
	Supplies and materials		(100.0)	
	Furniture and equipment		(230.0)	
	Translation, interpretation, security, library, medical, etc.		(3,093.3)	
				(5,929.9)
Expenditure plan at 1995 rates				47,590.7
Adjusted inflation				2,399.8
Income at 1996-1997 rates				(26,991.4)
Expenditure plan at 1996-1997 rates				22,999.1

MAJOR PROGRAMME 1200: ADMINISTRATION

20. The suspension and reduction of posts and non-staff items in this Major Programme is the most comprehensive in the entire proposed expenditure plan. Extensive efforts will be required in downsizing operations, reducing services, streamlining and changing of procedures, since the vacancy rates are among the lowest in the Organization.

21. In total, it is proposed to suspend six Professional-level and 25 General Service-level posts through the following arrangements: in subprogramme 1222 (Financial Management of Technical Cooperation) through rationalization and reduced responsibilities resulting from new project cycle management procedures; reduced staffing in Subprogrammes 1221 (Budget) and 1223 (Accounts and Payments) in anticipation of improved procedures and decentralization of responsibilities; merger of Subprogrammes 1231 (Recruitment) and 1232 (Personnel Administration and Social Security) through anticipated improved procedures and decentralization of activities; reduced staffing for Subprogramme 1233 (Staff Development and Training); deletion of additional staff resources proposed for Programme 1240 (Management Information Services) in the programme and budgets; general reductions in transportation, archives, registry and property control functions in Programme 1250 (General Services).

22. Substantial non-staff resource reductions will be made in the areas of general temporary assistance and overtime, staff travel, printing, EDP non-staff costs and other operating costs, such as communications, supplies, furniture and equipment.

Expenditure plans, 1996-1997
(In thousands of dollars)

Proposed programme and budgets*				35,011.2
		W/Y		
Less:	Expenditure plan reductions			
	Professional staff costs	(12.0)	(1,348.6)	
	General Service staff costs	(50.0)	(2,729.8)	
	Travel		(39.7)	
	General operating costs		(548.1)	
	Supplies and materials		(250.0)	
	Furniture and equipment		(150.0)	
	EDP non-staff costs		(229.3)	
	Other		(391.7)	
				(5,687.2)
Expenditure plan at 1995 rates				29,324.0
Adjusted inflation				1,523.6
Income at 1996-1997 rates				(755.2)
Expenditure plan at 1996-1997 rates				30,092.4